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## MARKETING PLAN FOR DIYUE

Degree Programme in International Business  
and Marketing Logistics  
2011

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Degree Programme in International Business and Marketing Logistics

May 2011

Supervisor: Kaartinen, Timo

Number of pages: 62

Appendices: 2

Keywords: car market, marketing strategy, marketing mix

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The purpose of this thesis was to study marketing planning process from a case company perspective. The thesis was done for the case company Diyue which is a new started 4S car shop located in the newly completed Auto Parts City in Baigou-a town of China. Diyue wanted to have a better and steady growth in the new market, the provided marketing plan would help the entrepreneurs of the Diyue to make the achievable objectives, right strategy, and efficient marketing mix to offer service and product that target customers want.

The theoretical part of this thesis was built by gathering material through different marketing management and strategy books, articles and Internet documents in order to have a better understanding about the car industry and market in China and the marketing planning process. The aim of this thesis is to clarify the stages of making a marketing plan, consider the current car industry environment and the local competitive situation, finally to create an efficient marketing plan for Diyue.

A qualitative research method was chosen for the empirical study. The manager of Diyue was interviewed face-to-face with semi-structured interview questions to know the current company situation. Twenty customer satisfaction interviews were done also with face-to-face, semi-structured interview questions to gather customer view about the company. Secondary data which needed for the marketing plan were obtained from reviews of documents.

## ACKNOWLEDGEMENTS

This is author's bachelor's thesis with the subject: marketing plan for Diyue. Author would like to give thanks to all the people who contributed to the completion of the thesis work.

First of all, author would like to thank her tutor Mr. Timo Kaartinen for his support and professional advices in the completion of the thesis.

Then, author would like to thank Mr. Liang Liming – the manager of Diyue, who offered the chance and gave support to author to write this marketing plan.

Furthermore, author would like to thank her opponent, Zhong Yi, who helped a lot in the matters of forms and the content of the thesis by providing useful suggestions to improve the work.

To finish, author would like to thank all the interviewees, manager of Diyue, employees who also gave help and advices in the information gathered work, and friendly customers who spend time for the customer interview.

## TABLE OF CONTENTS

1	INTRODUCTION .....	6
1.1	Overview of the study .....	6
1.2	Background and Introduction to the case company .....	7
2	MARKETING PLANNING PROCESS .....	7
2.1	Business mission .....	8
2.2	Marketing audit .....	9
2.2.1	External audit .....	10
2.2.2	Internal audit .....	11
2.3	SWOT analysis .....	12
2.4	Marketing objectives .....	13
2.5	Marketing strategy .....	14
2.5.1	Segmentation .....	14
2.5.2	Target marketing .....	16
2.5.3	Marketing positioning .....	17
2.6	Marketing mix .....	18
2.6.1	Product .....	19
2.6.2	Promotion .....	20
2.6.3	Price .....	21
2.6.4	Place .....	23
2.7	Implementation .....	24
2.8	Control .....	26
3	CAR INDUSTRY AND MARKET IN CHINA .....	26
3.1	Review of the Chinese Car industry's development .....	26
3.2	Estimate growth of the Car Industry in China .....	28
3.3	Current Policies and Trends .....	29
3.3.1	Encouragement policies .....	29
3.3.2	Energy-saving Trends .....	30
3.4	Major Challenges Facing Auto Manufacturers in the Chinese Market .....	32
4	THE PURPOSE OF THE STUDY AND CONCEPTUAL FRAMEWORK .....	33
5	RESEARCH METHOD .....	34
5.1	Qualitative research .....	35
5.2	Data collection .....	35
5.2.1	Interview .....	36
5.2.2	Document review .....	37
5.3	Reliability and validity .....	37
6	ANNUAL MARKETING PLAN FOR DIYUE .....	38

6.1 Business mission.....	39
6.2 Marketing audit.....	39
6.2.1 External .....	40
6.2.2 Internal .....	43
6.3 SWOT .....	45
6.4 Marketing objective .....	48
6.5 Marketing strategy .....	48
6.5.1 Segmentation.....	49
6.5.2 Target marketing .....	49
6.5.3 Positioning.....	50
6.6 Marketing mix.....	50
6.6.1 Product .....	51
6.6.2 Promotion.....	52
6.6.3 Price .....	53
6.6.4 Place .....	54
6.7 Implementation and control .....	55
6.7.1 Strengthen service team .....	55
6.7.2 Performance evaluation and reward .....	56
6.7.3 Optimizing service process .....	56
7 SUMMARY AND CONCLUSION .....	57
REFERENCES.....	59

## APPENDICES

# 1 INTRODUCTION

## 1.1 Overview of the study

The aim of this thesis was to create a marketing plan for the new started company Diyue. The marketing plan was expected to provide the ways to sustain their growth and increase sales; the ways to make the company and its products more known to the public. There have not been any previous marketing plans and it can also be used as a template for future marketing plans.

The theoretical part covered the following topics: car industry and market in China; marketing planning process in which the stages of creating a marketing plan and key elements involved in the marketing plan were well defined and explained. The key elements of the marketing plan were marketing objectives, marketing strategy concerned about the segmentation, targeting, positioning and the marketing mix which consists of place, product, price and promotion, finally the methods of implementation and control.

The empirical part was written following the theory, and summarizing the interviews with the manager of Diyue, and also the views gathered from 20 customers of the company. The current situation of the company about the competitor, environment, and sales were also analyzed and considered, finally presented the result of the interviews and gave recommendations to the management with the marketing plan creating and improving.

## 1.2 Background and Introduction to the case company

Diyue is a 4S car shop which just started from last September. The new started business wants to open up its market in a small but fast developing town- Baigou in China, with many competitors in an Auto Parts City.

Although the car brand already exists in people's mind, the most potential customers do not know the car well before they really want to buy it. The same as the car shop, as it opens newly, few customers has the experience with service of the shop. The shop need to find and show its characteristics of the shop and the cars to the customers, and attract new customers.

The brand of the car which is sold in Diyue, is a Chinese car brand named BYD-Build You Dream. The 4S car shop means that its business operation includes sales, sparepart, service and survey. Diyue sells cars, offers maintenance service, and also sells the car accessories.

Diyue is also the only one governmental place for offering service of car washing. This gives Diyue one competitive advantage to gain customers than competitors. Even though it is a new start business, it has already got good sales and reputation in the market. Until now, it has 30 employees includes managers, accounting person, sales person, front service person, maintenance person and car washing person.

## 2 MARKETING PLANNING PROCESS

## 2.1 Business mission

Mintzberg defines a mission as follows:

“A mission describes the organization’s basic function in society, in terms of the products and services it produces for its customers”.

It is an underlying requirement for any organization to set a clearly defined business mission as the basis from which the organizational direction can develop (Lancaster & Massingham 2011, 21).

A mission statement is intended to highlight the role of the business, its distinctive competence, further direction and motivate the employees.

The business mission describes the overall objectives of the strategy, sets a course and direction, and defines a set of performance criteria that are used to measure progress. Furthermore, the business mission must be broad enough to allow for business concept innovation, and it should be distinguished from the mission of competitors in the industry. (Hutt & Speh 2010, 163)

Sample mission statement:

Ben & Jerry’s Ice Cream: A product mission stated as: "To make, distribute and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the Environment." (Ben & Jerry’s, 2011)

This mission inspired Ben and Jerry to build a cause-related company. Their mission statement conveys the business founder's core beliefs and values. A meaningful mission can act as a moral and corporate compass. It can help the organization make decisions aligning with their values and goals.



## 2.2 Marketing audit

According to Philip Kotler: “A marketing audit is a comprehensive, systematic, independent, and periodic examination of a company’s or business unit’s-marketing environment, objectives, strategies, and activities with a view to determining problem areas and opportunities and recommending a plan of action to improve the company’s marketing performance”.

A good marketing audit has the following four characteristics:

- Comprehensive: The marketing audit covers all the major marketing activities of business, not just obvious trouble spots.
- Systematic: The audit follows a logical, predetermined framework, involves an orderly sequence of diagnostic steps covering the organization’s marketing environment, internal marketing system and specific marketing activities.
- Independent: The job of marketing audit is entrusted to outside consultants. Outside audit is relatively more objective in its practical nature and character.
- Periodic: Many organization schedule regular marketing audits because the environment for marketing is dynamic. Periodic audit helps the organization identify problem before it cause a crisis.(Williams & Curtis 2007, 216)

Any company performing an audit will face with two kinds of variables. First are variables over which the company has no direct control. These usually include environmental, market, and competitive factors. Second are variables over which the company has complete control. These concern the organization’s resources we can call operational variables. This division suggests that the marketing audit should be structured in two parts: External audit-uncontrollable variables and internal audit-controllable variables. (McDonald. 2002, 40)

### 2.2.1 External audit

The external audit will examine PEST factors in the general business environment:

- Political
- Economic,
- Socio-cultural
- Technological

The following dimensions of the market will be analyzed:

- Total market size, growth
- Market characteristics, developments and trends
  - Products
  - Prices
  - Physical distribution
  - Channels
  - Customers/consumers
  - Communication
  - Industry practices

### Competition

A competition audit help the organization have an overall view about its own strengths and weaknesses compared to its competitors. The competition audit will include the following dimensions:

- Major competitors
- Size
- Market share
- Market reputation
- Production capabilities
- Distribution policies
- Marketing methods
- Extent of diversification
- Personal issues

- International links
- Profitability
- Key strengths and weakness

### 2.2.2 Internal audit

Internal audit concerns the marketing operational variables. A thorough examination of the company's marketing performance is vital. As a marketing manager, you must clearly understand the issues relating specially to your company. Detailed sales analysis, market shares and profit contribution analysis must be undertaken, together with an assessment of the efficiency of the company's marketing mix and marketing control plans and procedures. (McDonald. 2002, 41)

The marketing audit is essentially a database of all market-related issues for the company; it is a review of everything associated with the marketing process within a company. The marketing audit is important to the planning process, as it provides the analysis that supports the corporate and the marketing decision-making process. By providing an understanding of how the organization relates to the environment in which it operates, the marketing audit enables management to select a position within that environment based on known factors.

An audit examines external and internal information and procedures and identifies problems in the environment, within the organization, and between the organization and its suppliers. The goal is to see how well the firm is applying the marketing concepts, and in turn creating value for its customers at a profit. The marketing audit enables management to look beyond routine sales reports and market share estimates. (Raju et al. 2009, 105)

### 2.3 SWOT analysis

The process of auditing raises a series of questions and produces a series of discoveries. The review provides the basis for SWOT analysis.

SWOT stands for strengths, weakness, opportunities and threats. The SWOT analysis classifies results of the audit into internal current strengths and weaknesses that large concern controllable variables, and external future opportunities and threats that largely concern uncontrollable variables. (Lancaster & Massingham 2011, 23)

Strengths: areas of (distinctive) competence that:

- Must always be looked at relative to the competition
- If managed properly, are the basis for competitive advantage
- Derive from the marketing asset base.

Weaknesses: areas of relative disadvantage that:

- Indicate priorities for marketing improvement
- Highlight the areas and strategies that the planners should avoid

Opportunities: environmental trends with positive outcomes that offer scope for higher levels of performance if pursued effectively:

- Highlight new areas for competitive advantage

Threats: trends within the environment with potentially negative impacts that:

- Increase the risk of a strategy
- Hinder the implementation of strategy
- Increase the resource required
- Reduce performance expectations

SWOT analysis is therefore designed to achieve two principal objectives. First is to separate meaningful data from that which is merely interesting, and second is to discover what management must do to exploit its distinctive competencies within each of the market segments both now and in the longer term. (Wilson & Gilligan 2005, 53)

## 2.4 Marketing objectives

A marketing objective concerns the balance between products and their markets. Marketing is about understanding the customer and ensuring that products and services match existing and potential customers' needs. Marketing objectives are an essential part of the marketing plan as they provide direction for activities to follow. (Westwood 2006, 34)

The SMART approach can be used when writing marketing objectives. Marketing objectives should be:

- Specific- the objectives need to relate to the issues and markets in which the organization is involved.
- Measureable- with a measureable objectives, managers are able to evaluate whether they have been successful in achieving marketing objectives.
- Achievable- marketing objectives should be challenge, but must be achieved with effort. They must be motivating rather than discouraging.
- Realistic- objectives must relate to the business and its activities and not be too fanciful.
- Timely- planning for objectives involves identifying when and how they may be achieved. (Dransfield & Needham 2005, 3)

An example of the marketing objectives gives a clear view of a SMART marketing objective should be: To increase sales of the product in the UK by 10 percent per annum in real terms, each year for the next three years.

## 2.5 Marketing strategy

Objectives are what we want to achieve; strategies are how we get there. According to Kotler and Armstrong (2008, 156), designing a marketing strategy includes market segmentation, target marketing and marketing positioning.

A marketing strategy should identify the most beneficial market segments to target, specify the appropriate brand or product positioning to satisfy these targeted customers, and seek the competitive advantage to be exploited over competitors. Of fundamental importance to a marketing strategy is the ability to attract customers, satisfy and retain them. (Dibb & Simkin 2004, 175)

### 2.5.1 Segmentation

Different customers have their particular needs and requirement on the product or service. It is rarely possible to satisfy all the customers if you treat them alike. In order to meet the demands of different customers, companies have to identify market segment and offer different service or product for each segment.

“Segmentation means splitting the overall market into smaller submarkets or segments that have more in common with one another than with the total market.” (Paley 2000, 110) By subdividing the market and identify the groups of customer with similar demands, the company able to have a better understanding on the customer and more refined focus on the customer. Therefore, the company can provide their service or product in an efficient way.

The four most common ways to segment a market based on demographic, geographic, psychographic, and product attribute factors.

Demographic segmentation	Psychographic segmentation
Sex Age Family life cycle Race/ethnic group Education Income Occupation Family size Religion Home ownership	Life styles Psychological variables: <ul style="list-style-type: none"> <li>– Personality</li> <li>– Self-image</li> <li>– Cultural influences</li> </ul>
Geographic segmentation	Product attribute segmentation
Region Urban/suburban/rural Population density City size Climate	Usage rate Product benefits

Figure 1 : Bases for market segmentation (Paley 2007, 114)

Each of these approaches, single or in combination with the others, represent an opportunity that can be satisfied with a product or service. The combination of variables will produce a more meaningful breakdown rather than relying on a single criterion.

The following criteria give a guideline in selecting market segments:

- Measureable. The segment can be quantified. Such as the size, purchasing power and profits.
- Accessible. The market segment can be effectively reached through a dedicated

sales force, distributors, and transportations.

- Substantial. The segment is large and growing.
- Profitable. The segment is profitable enough to serve. Use your organization's standard measurements for profitability, such as return on investment, gross margin, or profits.
- Compatible with competition. The segment is attractive to the competitors.
- Effectiveness. The segment can be effectively served with your skills and resources.
- Defendable. Within the segment, your company has the capabilities to defend itself against the attack of a major competitor. (Paley 2007, 111)

### 2.5.2 Target marketing

“Target marketing is the process of formulating market coverage policies which segments of the market provide the best opportunities for the company.”(Armstrong 2006, 31)The target marketing process involves evaluating each market segment and selecting one or more to enter, after that tailor a marketing mix for the selected market segment.

There are four target marketing strategies that a company can be adopted: differentiated, undifferentiated, concentrated and custom.

Differentiated strategy: operating in several segments of the market and there are different marketing mixes for different segments. The customers' requirements will be largely fulfilled, which lead to increase of customer satisfaction.

Undifferentiated strategy: this strategy is ignoring segments differences and enters the entire market. There is a single marketing mix for all customers, which the company aims to satisfy the common needs of customers.



Concentrated strategy: there is one marketing mix for a segment of the entire market. This strategy usually is chosen by the small companies or when the company resources are limited.

Custom strategy: custom strategy attempts to satisfy each customer's needs with an individual marketing mix. (Armstrong 2006, 32)

### 2.5.3 Marketing positioning

“Positing is the process of reaching market segments. It distinguishes a branded product or service from its competitors so that it becomes the preferred brand in defined segments of the market. Positioning can focus on new brands but may also involve repositioning existing brands.” (Armstrong 2006, 27) Repositioning is when a marketer feels the need to change the present position of the brand to make it more meaningful to the target segment.

The goal of positioning is to locate the brand in the minds of consumers to maximize the potential benefit to the organization. Positioning makes the brand to be different and better than all competing brands. Much of the work on positioning comes from advertising and marketing communications. The result of the positioning process is to create good brand image and reputation of the product in consumer's mind. (Vshisht 2005, 102)

A brand can be positioned in several ways.

- **Benefit positioning:** This can be used if the brand perceivable differs in its ability to deliver a specific benefit. For example, a car seller offers the fuel cost effective car in a market, the customers will benefit of fuel savings in the long run. The power of the benefit position depends on how many people and how much they care about the benefit.

- Positioning by specific product attributes: This strategy involves positioning a brand with respect to some specific product attribute, such as convenient, comfortable, and healthy.
- Target positioning: This strategy involves focusing all the marketing efforts of a brand on specific segment. The positioning will be based on the characteristics of the specific segment. The target segment could perceive the brand to be superior in meeting their particular needs.
- Price positioning: This usually involves putting the brand either at top or bottom of the category. Price is an important indicator in the positioning, as many consumers are price sensitive.
- Positioning by distribution: This involves placing a brand in a channel that is not being used by competitors. Being a first in its category, it created a unique brand image for itself.(Vashisht 2005, 105)

A successful positioning is based on those benefits which are relevant to the target segment. Company recognizes the needs and wants of the target segment and tries to satisfy them. The position is clear and well defined that customer can understand. The positioning is not only should the company's own strengths and weakness be taken into consideration, but also those of the competitors. After then, create a unique image for the brand. (Vashisht 2005, 106)

## 2.6 Marketing mix

The marketing mix is a set of tools that provides the basis of implementation of the marketing plan. Creating a marketing mix integrated with the marketing strategy, company is able to meet customer needs, be differentiating on brand, product and service, and position themselves successfully against competitors. Marketing mix decisions should be adjusted all the time in accordance with the needs and consumer behavior in order to meet the new requirement. (Beamish & Ashford 2006, 94)

The term marketing mix often refers as the four Ps, product, promotion, price, and place. Successful marketing mix is a unique blend of the product, place, promotion, and pricing strategies that have been carefully designed to satisfy the target market. (Lamb, Hair & McDaniel 2009, 44)

### 2.6.1 Product

Product is the starting point of marketing mix. Without knowing the product to be marketed, it is hard to design the other three Ps.

The product includes not only the physical unit but also its package, warranty, after-sale service, brand name, company image, value, and many other factors. The product of an organization helps to create the image of the firm in the mind of the customer. This image is reflected in the customers' perceptions and feelings about its products.

When customers buy a product, they are buying more than just the product. There are three levels of product that customer achieve from the benefit.

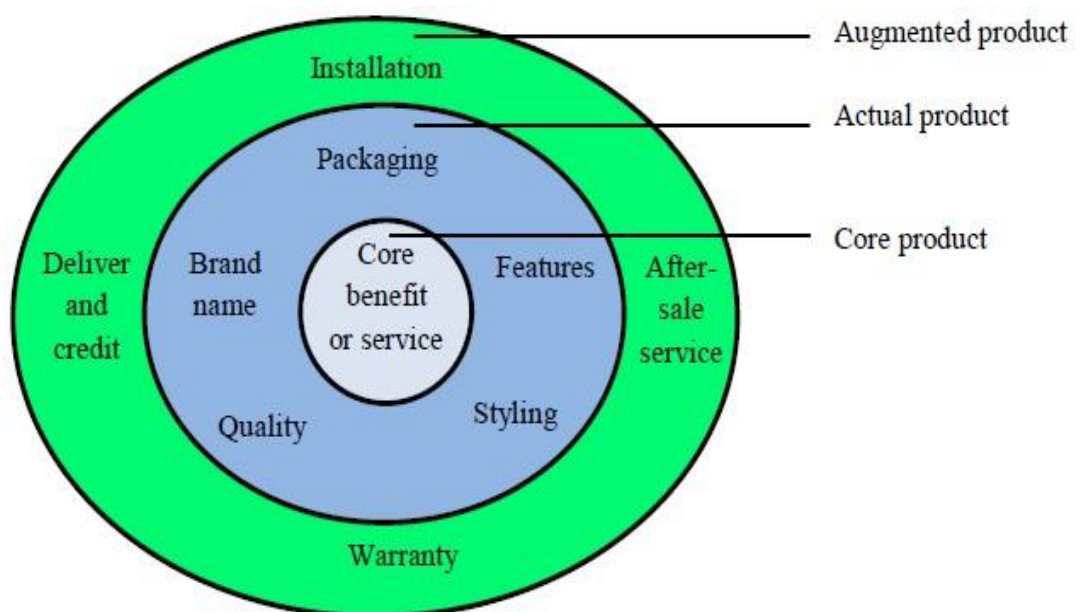


Figure 2: Three levels of product (Kotler, Armstrong, Wong & Saunders 2008, 501)

When a producer makes decisions about the product, he or she is making decisions about the following: quality, features, options, style, brands name, packaging, size, service, warranties, and returns. One of the most important of these is quality. Quality is a relative value that people attribute to things. It reflects people's expectations concerning a product. Product quality has been found to be positively related to market share and return on investment over a wide range of product and in different market situations. A business has to build sufficient quality into its products to satisfy customer requirement. (Lamb et al. 2009, 44; Proctor 2002, 214)

### 2.6.2 Promotion

Promotion is also the marketing communication to customer includes methods of advertising, public relations, sales promotion, and personal selling. Promotion's activities are informing, educating, persuading, and reminding target customers of the benefits of an organization or a product, to improve the brand image and stimulate customers' purchasing frequency. Each element of the promotion is coordinated and managed with the others to create a promotional blend. (Lamb et al. 2009, 45)

In developing an effective communications programme the basic steps involve:

- Identifying the target audience
- Determining the communications objective:
 

The objectives of the marketing communication can be to create awareness of a product or service, to provide information about a product or service, to build recognition of a company name and others different depends on each company.
- Designing the message
 

The appeal, theme, idea or unique selling proposition is what the communicator has to get over to the target audience in order to produce the desired response.

Benefit, identification, motivation are all concepts that can be built into the message.

- Selecting the communications channels

A promotional mix is preferred by the company and more efficient.

- Allocating the total promotions budget

The proportion of a firm's marketing communications budget that is spend on each of these activities varies across organizations and industries. For example, the industrial goods put more effort to be put into personal selling, whereas advertising features prominently of fast-moving consumer goods.

- Deciding on the promotions mix

The deciding on the promotions mix will be influenced by several factors: the available budget, the promotional message, the complexity of the product or service, market size and location, distribution channels, life cycle and competition.

- Measuring the result of the promotion

In a crowd information market, advertising faces a major challenge to be ignored by customer. Advertising has to be creative, entertain and reliable in order to catch customers' attention and make it trusted by the customer. After then, deliver the message in an original way that enables the customer to remember and identify with the message and the brand. In choosing media in which to advertise, the media planner has to be familiar with the reach, frequency and impact of the major media types. (Proctor 2002, 225-230)

### 2.6.3 Price

The price of the product is not customer issue, but how much it will cost them. Price is the amount of money customers have to pay to obtain a product or service. It is often the most flexible element of the marketing mix. Marketers can change the price more easily depends on the company's situation or the market environment. (Lamb et al. 2009, 45)

The price decision-making varies on two marketing conditions, those under which the company have some control over the level of price set or not. The company has no control over the setting of pricing; it has to accept the market determines will be the price. (Proctor 2002, 219)

There are several price strategies when setting the price of a product:

- Cost-oriented pricing: An important cost-oriented approach is that of marginal pricing.
- Demand-oriented pricing: A demand-oriented approach to pricing takes account of the strength of demand. Firms ask a high price when or where demand is strong and low price when or where demand is weak. Such an approach is commonly referred to as charging what the market will bear.
- Competition-oriented pricing: The price setting is in keeping with those charged by competitors.
- Psychological dimensions to pricing: Goods may be priced at 2.99 euro or 4.99 rather than 3 euro or 5 euro, the prices are perceived by customer is 2 euro and 4 euro in their minds.

Penetration and skimming policies are most often encountered when dealing with new products.

- Penetration: when introducing a new product, the objective may be to achieve early market penetration. The strategy may amount to setting a low price to instigate market growth and capture a large share of it. A penetration strategy may be appropriate if the market seems to be highly price sensitive.
- Skimming: This strategy contrasts with penetration strategy and is used to take advantage of the fact that some buyers are prepared to pay a much higher price because they want the product very much. This strategy is appropriate where there exist a substantially large number of buyers whose demand is relatively inelastic. (Proctor 2002, 219-222)

When the prices have to be adjusted, decreasing prices usually please the customers, but if increasing price is required, a negative influence on the sales may occur. To increasing prices without increasing prices can be achieved by the company in several ways. The discount structure can be altered so that the total profit to the company

is increased but the list price to customer remains the same. The minimum order size is increased so that small orders are eliminated and overall costs thereby reduced. Lower margin models in the product line are eliminated and more profitable ones sold in their place.

#### 2.6.4 Place

Place is also known as distribution channels. It can be seen as the final element of marketing mix to satisfy customers' needs. Place concerns making products available when and where customer want them. The goal is to make sure products arrive in usable condition at designated places when needed. (Lamb et al. 2009, 45) Designing a completed distribution channels helps company make product available to customers in an efficient way with minimized costs.

What is important to the customer is not the method of distribution, but the convenience of the product for purchase. There are six basic channel decisions to make. These are:

- Whether to distribute direct to the customer or indirectly through middlemen
- Whether to adopt single or multiple channels of distribution
- How long the channel of distribution should be
- The types of intermediaries to use
- The number of distributors to use at each level
- Which intermediaries to use (Proctor 2002, 218)

The reason to have intermediaries is that by using intermediaries, company can improve the efficiency of their actions by reducing the number of transactions, location and time between customers and themselves. Intermediaries are able to provide better services to meet customers' demands, as they have more professional and long-term knowledge on such selling, servicing.

As a result of markets becoming highly fragmented with customers having different product and service needs as well as price sensitivities, different channels have emerged to meet customers' expectations. Over time the nature of channels change depends on the changes in the marketing environment such as the evolving customer needs. The changes of channels create a new and better ways of delivering value to customers. In addition, along with customers become more familiar with the product, a shift then takes place from specialist to higher-volume, low-added value channels. (Proctor 2002, 219)

## 2.7 Implementation

The management tasks are planning, implementation and control. The marketing strategy and the market strategies of multi-product organizations must therefore be carefully planned, and then implemented, by organizing activities and by providing leadership in coordinating and motivating employees. Finally, all marketing efforts must be controlled to ensure success and further survival and growth.

This figure below shows a clear relationship between the three main management tasks.

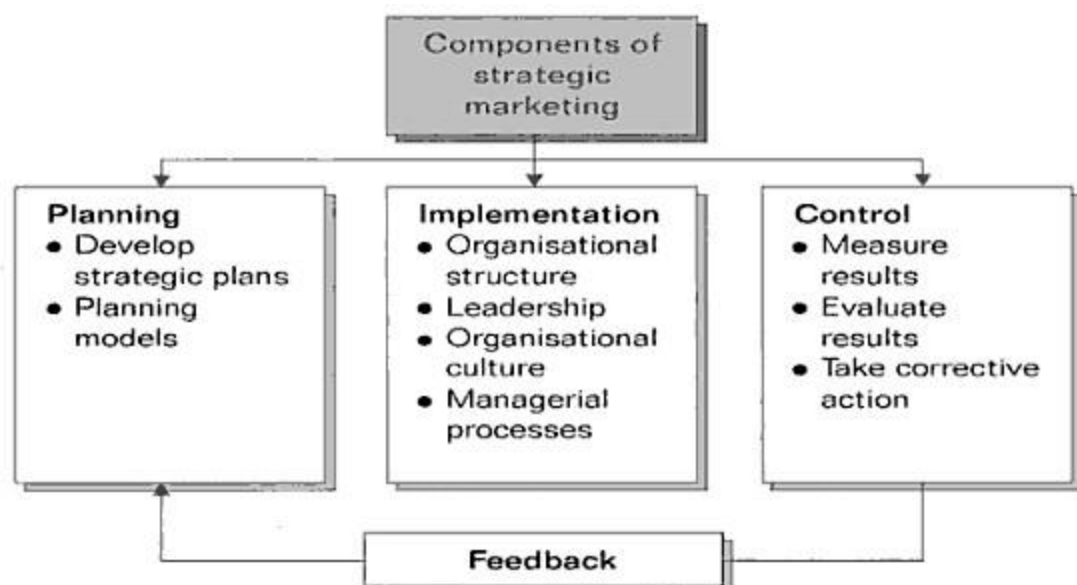




Figure 3: The relationship between Planning, Implementation and (Cant, Strydom & Jooste 2009, 545)

Implementation is the second step in the strategic marketing management process. Without implementation planning is useless to any organization. From an organizational perspective, implementation is one of the most challenging activities you will find yourself involved in. There are some important factors need to be considered in the implementation as they display in the figure below:



Figure 4: Important factors of strategy implementation (Cant et al. 2009, 566)

The implementation of a marketing plan may face many barriers, as the result of a lot most every approach is new such as the plan, process, and the environment. Barriers that company may face like the existing culture may not be amenable to marketing plans, fail to act based on the analysis which cost organization's time and money, lack of resource and skilled workforce.

Some key ingredients that are required for the successful implementation of any marketing plan are:

- Strong and committed leadership
- A marketing-oriented and customer-focused culture
- A supportive and effective marketing structure

- Financial and human resources
- Internal marketing-systems and processes
- Control and measurement mechanisms (Beamish & Ashford 2007,75)

## 2.8 Control

Planning and controlling are closely linked because performance standards set during the planning process are measured during the control process. The first step of the control process is to set the standard and measure in what extent the performance will be achieved. Based on the feedback of the first step, the marketing organization and plan can be developed to help achieve better result. Next step is to evaluate marketing performance. Evaluation takes place through comparing the actual result with the formulated performance standards. The last step is to take corrective action on where actual performance is below the standards set. (Cant et al. 2009, 587)

# 3 CAR INDUSTRY AND MARKET IN CHINA

## 3.1 Review of the Chinese Car industry's development

According to the latest statistics and analysis of China Association of Automobile Manufacturers (21 Jan, 2011), automakers in China produced and sold more cars last

year than in any other country annually in history, the numbers have refreshed the global records of auto production and sales. The sales volume was 18,061,900 which increased by 32.37% more than 2009. Production increased 32.44% to 18,264,700 units

China's automobile industry has been in rapid development since the early 1990s. In 1998, China produced 1.56 million automobiles, accounting for only one sixth of General Motor's annual output and one third of Toyota's yearly production. After less than one decade of development, China has emerged into the world's fastest-growing major auto market, with an average annual growth of more than 22.2% from 1998 to 2006. In 2006, China outpaced Japan to become the world's second largest car market after the U.S with 7.2 million units sales, meanwhile, it surpassed Germany to become the third largest auto maker after the U.S. and Japan with 7.3 million units. Even with the soaring raw material prices in 2007, China's automobile production and sales still increased by more than 20 %.( China Knowledge, 2007)

In 2008, influenced by the steel price rise, cost rise, and subdued demands caused by international financial crisis, the growth rate of production and sales were under 10 percent for the first time, dropping to 5.21 percent and 6.7 percent respectively; stimulated by all favorable policies in 2009 and 2010, the growth rate of production and sales in 2009 reached 48 percent and 46 percent, making new high in the history respectively, meanwhile China surpassed the U.S. to become the world's largest car market; and the growth rate of production and sales in 2010 were both over 32 percent.(Cheng. 2011)

A table was summarized by author based on the data from Cheng 2011, which shown the production and sales growth rate of Chinese car industry from 2002 to 2010.

Table 1: Production and Sales growth rate of Chinese Car industry 2002-2010

Year /Growth rate%	Productio n	sales
2002	39	37
2003	37	35
2004	14	15
2005	13	14
2006	27	25
2007	22	22
2008	5.21	6.7
2009	48	46
2010	32	32

### 3.2 Estimate growth of the Car Industry in China

In recent years, the automobile industry has become a crucial pillar industry of China's national economy. In automotive analyst Jia Xinguang's opinion, growth of middle-income families' consumption and release of the second-tier as well as the third-tier car market are contributing to the new round of high growth of Chinese car market after the financial crisis. As a result, China's car consumption has reached a new stage.

Due to some preferential policies will expire and be cancelled in 2011, and the transportation restriction measures will be launched in specific cities because of serious traffic jam, the auto costs will increase, most experts agree that the car market will maintain a negative growth. But the macro tendency of the state's encouragement policies for the automobile industry will not change in the "Twelfth Five-Year Plan" period. Meanwhile, the rapid development of China's macro-economic will continue and living standards of urban and rural residents will improve steadily. According to analysis of China Association of Automobile Manufacturers, it is predicted that the growth rate of China's production and sales will keep a steady and comparatively quick developing tendency to an increase of 10 to 15 percent in the forthcoming five to ten years. (Cheng. 2011)

### 3.3 Current Policies and Trends

#### 3.3.1 Encouragement policies

In 2008, the global automobile industry was badly stricken by the international financial crisis, leading to the badly destroyed automobile industry in the world. But in 2009 and 2010, China's automobile industry showed a rapid growth again with the growth rate over 40 percent and 30 percent in 2009 and 2010 respectively. What was the reason for that?

As a whole, the rapid growth of auto market in 2009 and 2010 mainly rests with the promotion of the state's encouragement policies. In the situation of deteriorative global environments, intensified domestic competition and stagnant market, China properly launched a series of encouragement measures in an attempt to stimulate consumption, such as cancellation of road toll, old-for new service of cars, automobile going to the countryside, 50 percent off of purchase tax of cars, etc.

As a result, the degree of the growth exceeded the expectation. Related intervention policies will be helpful to the short-term development but maybe not for the long-term sustainable development. The adjustment will be made based on the new market situation. Due to this reason, it is unlikely that those encouragement policies to be expired by the end of 2010 would be continued. (Cheng 2011)

### 3.3.2 Energy-saving Trends

#### **Promoting new-energy development**

As for many nations, energy security is an increasingly crucial element on China's national security agenda. Automobile fuel consumption makes up over one-third of total Chinese fuel consumption and the percentage will likely keep increasing in the next ten years. Reducing automobile energy consumption is a key imperative for China's energy security. (Dyer 2011)

China has started to draft new policies and speed up the implementation of existing policies on developing new energy vehicles since earlier 2010. Promoting the development of electric vehicles industry, and automobile proposal become part of the 12<sup>th</sup> Five-Year Plan (2011-2015) are a top priority. (Gao 2010)

Ministries encourage new energy vehicles, and have done a series of work to support the development of new energy vehicles:

- The Ministry of Science and Technology has composed a draft for developing electric cars during the 12th Five-year plan (2011-2015) period, which comprised seven aspects, such as setting the direction for electric cars research and development, further developing products for demonstration and improving the application of government subsidies, the report said.
- The National Development and Reform Commission, China's top economic planner, has included key parts of new energy cars as the encouraged products in the Guiding Catalogue for Structural Adjustment of Industry (2010).
- Ministry of Industry and Information Technology is working with other departments to revise the Policy on Development of Automotive Industry (2004), and the development plan for energy-saving and new energy vehicles (2011-2020) will take shape in two months.
- The Ministry of Commerce is also working on guiding the exports of Chinese cars and auto parts as well as encouraging automakers to introduce advanced facilities, technologies and auto parts. (Qiang 2010)

## **Reduce environment pollution**

The Chinese government also aspires to provide a clean, pollution-free environment. China has been investing in a green economy across the board, including clean power, energy efficiency and plug-in cars. Among all the new energy automotive technologies, electric or hybrid electric vehicles currently present the best environmental option. (Dyer 2011)

## **Actions of implementing new energy development**

There are several actions have been taken to implement the development of new energy by Chinese government:

China starts verification of energy-saving vehicles. Inspection Measures for the Promotion of Energy-Saving Vehicles (passenger vehicles of 1.6L and below) has been jointly published by the Ministry of Industry and Information Technology (MIIT), the National Development and Reform Committee (NDRC) and the Ministry of Finance (MOF), in an effort to control the promotion of energy-saving vehicles by automakers. Vehicles with fuel consumption higher than 104 percent of the corresponding volume listed in the catalogue of energy-saving vehicles (passenger vehicles of 1.6L and below) should be excluded from the catalogue, as indicated by the Inspection Measures. Vehicle models will also be checked against the energy-saving vehicle lists provided by automakers, and the “fuel consumption” and “energy-saving products project” labels will be inspected to see if they are placed on the vehicles as requested. (Chen 2011)

China to raise excise tax for large displacement vehicles. The Standing Committee of the National People's Congress (NPC), the highest organ of state power in China, passed on February 25 a draft law on vehicle and vessel taxes, allowing relevant departments in the country to levy an excise tax on passenger vehicles based on engine displacement. Under the new law, excise taxes on large displacement vehicles (2.0 liters or more) have been raised. (Zheng 2011)

China to promote auto imports in next 5 years. China will encourage the imports of advanced auto equipment, key technologies and components of energy-saving and new energy vehicles over the next five years to help the country restructure and upgrade its auto industry. (Xinhua 2010)

### 3.4 Major Challenges Facing Auto Manufacturers in the Chinese Market

With the rapidly expanding and wide range of product on the market, brand awareness and brand loyalty are naturally still low. Based on a research, only 25 percent of the Chinese customers choose the same brand when they buy their next car, compared to almost 80 percent in western industrial countries. Meanwhile, foreign brands have a head start in the competition for buyers as they have good image, which is a disadvantage for the domestic brands in China.

The downstream after-sales service has to be developed to create customer satisfaction and retention. The current predicament is sales and service is highly unsatisfactory for the manufacturers, as there are not enough dealers and workshops, and most of those that lack of sufficient skills. Since 1998, one kind of car dealers named 4S car shop in China formed and kept developing in recent years. The 4S represents Sale, Sparepart, Service and Survey. A well managed 4S car shop can offer the customer good service and professional car maintenance. Due to the fact that, mostly the 4S car shops have only located in urban and major cities, and the coverage is still low, the long paths to the workshop cause frequent complaint too. The dealer presence has to be expanded, to provide higher quality, good service and convenience for the customer. (AltAssets, 2005)



#### 4 THE PURPOSE OF THE STUDY AND CONCEPTUAL FRAMEWORK

The purpose of this study is to create a marketing plan for the new started company Diyue. The marketing plan is expected to help the company increase sales, customer satisfaction and retention, create brand awareness and loyalty by applying properly marketing strategy and marketing mix. Therefore, the research problem of the study is how the company can better enter and growth steadily in the new market.

The research objectives of the study are as follow:

- to study the literature about marketing plan
- to create a conceptual framework describing the marketing planning process
- to study the Car Industry and Market in China
- to design semi-structured interview with manager and customers, to learn about the company situation and the customer satisfaction
- to present the results of the interview and provide a suggested marketing plan which help the entrepreneurs of the Diyue make the achievable objectives, right strategy, and efficient marketing mix, give recommendations to the management about how the company can better enter and growth steadily in the new market.

The conceptual framework is the main steps involved in the marketing planning process. The framework gives a clear view how each step coordinated from start to finish for creating an efficient marketing plan. The process starts by defining business mission and a marketing audit to learn about the current situation of the company. With the gathered information, a SWOT analysis is conducted to help manager know its own strength and weakness, opportunity and threaten. After the defined marketing objective, strategy and mix have been implemented; the performance will be evaluated in the controlling step. The feedback will be given to the beginning planning step, and the adjustment will be taken to develop the marketing plan.

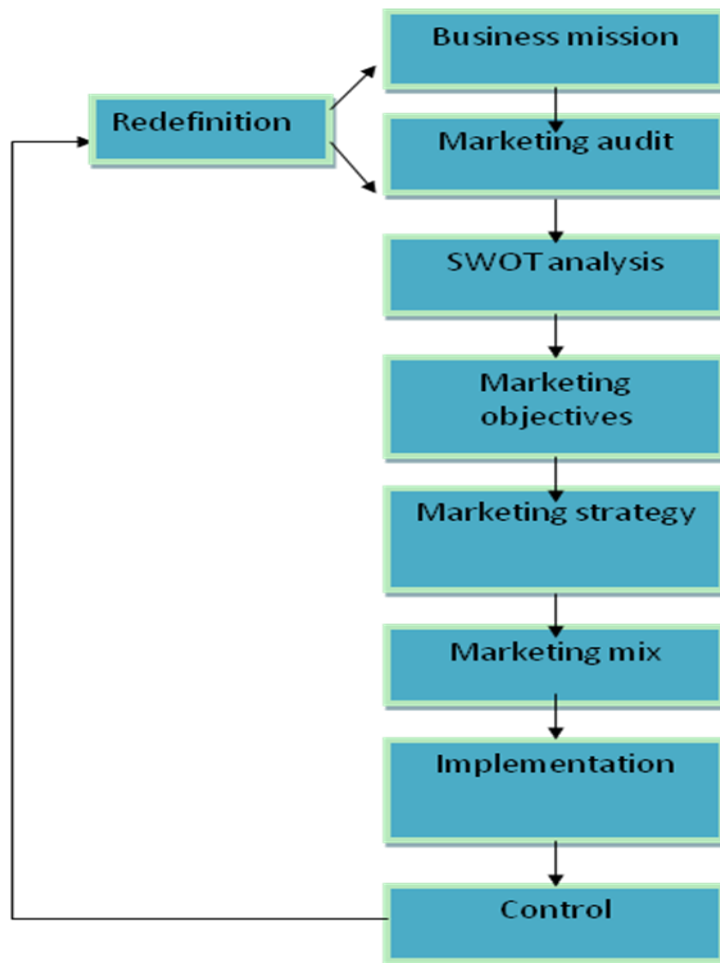


Figure 5: Conceptual framework of the study. The marketing planning process (Jobber, 2007, 41)

## 5 RESEARCH METHOD

In this section, author will explain how the research was conduct, methods used as well as evaluating the validity and reliability of the methods. The main research question of the thesis was to create an efficient marketing plan for company Diyue in order to have a better enter and growth in the new market. The main research ap-

proach in this thesis was qualitative research, and the main research method was semi-structure with the manager and the customers.

### 5.1 Qualitative research

Qualitative research differs from quantitative research, which describes a set of non-statistical inquiry techniques for gathering data about social and natural phenomena. Quantitative research is used in studies which statistical data and phenomenon to be described. The use of qualitative data is not simply description of events and phenomena; they are used for creating understanding, for subjective interpretation and analysis. Thus, qualitative research is most suitable for studies in which the purpose is to go in-depth understanding of the phenomena, but not the statistic control. (McNabb 2010, 234)

The design of a qualitative study is flexible, relevant variables are not known ahead of time, the research questions may change and be refined according to the condition. Sample selection in qualitative research is usually purposeful and small, as opposed to a more random, larger sampling in quantitative research. The research itself is the research instrument in the qualitative research. (Merriam 2009, 16)

In this study, qualitative research was used, because in-depth was needed about the research problems. Author got supports from the company with research database and manager willing to be interviewed. A small sample was chosen for the customer satisfaction inquiry.

### 5.2 Data collection

The major methods used to collect qualitative data include: participation in the group setting or activity, personal and/or group interviewing, observation and document and cultural artifact analysis. (McNabb 2010, 235)

In order to receive a comprehensive understanding of the case company's current situation; customers' satisfaction and brand awareness of the company; and other relevant issues, the semi-structured interview was used as the main research method for the empirical part. The data collection included semi-structured interview with Liang Liming- Manager of Diyue since the shop founded, and semi-structured interview with 20 customers. In addition, document review method was used for checking out and analyzing case company's previous performance and achievements.

#### 5.2.1 Interview

Interviewing is often the primary data collection strategy in qualitative research. Getting good data in an interview is dependent on your asking well-chosen open-ended questions that can be followed up with probes and requests for more detail. During the interview, it is important for the researcher taking notes. Since findings are presented in words, not numbers as in quantitative research, a report of a qualitative study requires more writing. (Merriam 2009, 17)

The semi-structured interview approach was used because it was less formal than the structured interview. The interviewees were freely to answer the questions in terms of what they saw as important

Author was doing a six months practical training job in Diyue in the summer of 2010, during which period the data was gathered. Furthermore, author had been given the task as the front-desk person, sales person and manager's assistant on each two months. These gave author huge conveniences and flexibilities to carry out the interview with customers and manager.

The semi-structured interview questions with manager and customers were designed by author before the interviews, and had been agreed by supervisor. The semi-structured interview questions are in the appendix of the thesis.

The data gathered for this study from the interviews were firstly written or recorded, and then organized in a completed and clear form in case of losing information.

### 5.2.2 Document review

The document can be accessed at a time convenient to the researcher, as written evidence; it saves a researcher the time and expense of transcribing. Some documents of a company may be protected information which unavailable to public or private access. (Creswell 2003, 187)

Document review was used to obtain secondary data for this study. The data were used for internal analysis of Diyue, checking out and analyzing company's previous performance and achievements. Thanks to get supporting from the company, author was easy to access all the documents which were needed in the study.

### 5.3 Reliability and validity

Reliability is an essential consideration when selecting an instrument or measurement approach. Reliability refers to the consistency or dependability of a measurement technique. It is concerned with the consistency stability of the score obtained from a measure over time and across conditions. Although all measures contain error, the more reliable the method or instrument, the less external influences will affect the accuracy of the measurement.

Validity is another critical aspect of measurement that must be considered as part of an overall measurement strategy. Validity refers to what the measurement strategy measures and how well it does so. Validity seeks to answer the question “Does the instrument or measurement approach measure what it is supposed to measure?” (Marczyk, DeMatteo & Festinger 2005)

In order to ensure the accuracy of data collection, analysis and interpretation of the study, every effort was made to ensure consistency and objectivity in data collection, analysis, and interpretation of the study.

The interviewees selected in this study were the manager of Diyue and a small sample of non-representative Diyue’s customers. The manager of Diyue, Liang Liming with professional knowledge and long term working experience in marketing management, began his work in Diyue since it founded. He was able to answer author’s all the question concerning Diyue’s current situation. The non-representative Diyue’s customers were selected among those talkative people, in the conversation when experience Diyue’s service. They were more willing to express their true felling, opinion and give Diyue recommendations

The semi-structured interview question with manager of Diyue and customers were designed carefully by author and agreed by the supervisor, to make sure ask the relevant questions, that nothing essential missed. In addition, in the semi-structured interview, author was able to ask more specific questions to get in-depth understanding of interviewees. These efforts contributed to the validity and reliability of the study.

## 6 ANNUAL MARKETING PLAN FOR DIYUE

In this section, result of marketing audit is summarized and further analyzed by using SWOT analysis method. Diyue is running based on manager Liang's working experiences. Based on results from marketing audit and SWOT analysis, author gives suggestions on every sector of a marketing plan for Diyue's growth.

## 6.1 Business mission

Diyue has always been holding the idea of "customer first". It offers a wide range of quality product and service with reasonable prices. Diyue aims to fulfill different customers' needs and requirements, and bring convince to the automobile consumers. The technicians for automobile maintenance are well trained to the highest standards. Auto safety is one of the most important problems. The well trained technicians can improve the better and safer user experience in automobile for customer.

Diyue's business mission can be described as follow:

To provide best in class service and economic cost for customer, keep people safe and secure to enjoy life with automobile.

## 6.2 Marketing audit

Every company needs to see their way through changing markets. The marketing audit is committed to improving strategic decision making when companies are faced with specific business challenges. The marketing audit here considers both internal and external influences on marketing planning.

### 6.2.1 External

#### The macro-environment

Diyue is located in a newly completed Auto Parts City in Baigou-a town of China. Baigou is a small but fast developing town in recent years. The total area of Baigou is 54.5 square kilometers, the township area is 20 square kilometers, and the resident population is 120 thousand people. In 2008, Baigou achieved social output value of 10.8 billion RMB, fiscal revenue 150 million RMB. Market turnover of Baigou in 2008 was 25.8 billion RMB, which made Baigou rank 18<sup>th</sup> among the top 100 commodity trading market.

In 2009, it was a critical year of Baigou's development process. First, the global financial crisis was influencing in depth, it brought both new opportunities and new challenges for Baigou. Second, China's economy and society development was going to enter a new historical period. One the one hand, the objective was to maintain growth, expand domestic demand, on the other hand, to adjust the structure, promote scientific development. Third, China was going to draft the twelfth five-year plan for economic and social development, describe the blueprint for future development. In the twelfth five-year period, to use and catch the new opportunity for quick developing brought by the reform and development, is the key task of Baigou.

The overall positioning of Baigou is defined as: a new medium-sized city in northern China. "North China" refers to the geographic area. "New" means different from the traditional, through independent innovation and human development, and the new industrialization and urbanization. "Medium-sized city" refers to the area and urban population between 20 million and 50 million of the city. The determination "new medium-sized city in northern China" has programmatic significance on Baigou's future development. It indicates the direction of the future development and shows Baigou's economic strength and development potential.

The economic function positioning of Baigou is defined as: new economic centers. Baigou is a business-type town. "To build the town with business, to strengthen the



town with prospering industry, to public the town with brand” is the basis for the development strategy of Baigou. In the market construction, Baigou determines a “Ten City” development plan, accordance with the “big market driven large scale industry” development ideas. The Ten City includes clothes, shoes, small commodities, bags, hardware, leather, building material, auto parts, furniture and toys. “New economic centers” refers to the development of industrial clusters emerging in a region, the new economic growth point. Here means Baigou aims to form a new economic development center in the northern region, through the rapid development of the markets, related industry chain and the formation of industrial clusters, and the improvement of urban functions. Today, Baigou has developed from ten professional markets to ten modern shopping mall; the business environment and shopping environment has been radically improved.

The political function positioning of Baigou is defined as: Baigou City (Vice ground-level city). It refers to the small town Baigou up to grade level as a deputy city. This breaks administrative system fetters of small towns. Through the upgrading of administrative levels, Baigou is given more power on economic, social and cultural development, which promotes faster economic and social development.

Private economy is an important component of Baigou’s economic pattern, and the important force to promote economic and social development. Baigou government tilts to the private business and economy on policy, funding, projects, and environment, with a series of preferential policies to liberalize the private economy.

In the practice of market economy, Baigou government proposed four principles: market access is open, business field is wide, mode of business operation is flexible, and registration condition is loose.

The reform experiment function positioning of Baigou is defined as: innovation experimental area in northern China. “Innovation” refers to learn advanced foreign technologies and concepts, apply advanced science and technology, and scientific research, to establish a sense of innovation, foster innovation entities to develop creative talents, to encourage technological innovation. “Experimental area” refers to

take a lead in the experimental area of innovation on the economic activities and reform.

#### The micro-environment

Over the years, the domestic automobile industry has developed rapidly. More and more people could not image life without a car. As the nation's supply of labor dwindles and consumers spend more and save less, there is strong increase in salaries and the number of middle-income and affluent people who can afford to the car consumption is increasing.

Baigou Auto Parts City is part of the "Ten City" plan and a key project of the Hebei Province Government, covering 500 acres areas and a total investment of 4.5 billion RMB. The auto parts city is established with fully functions. It brings together the professional auto accessories market, 4S brand stores and multi-brand vehicles sales service station, the old motor vehicle market, vehicle detection station, driving school, Baoding department of Transportation inspection station, while providing the service on registration, transfer, insurance, test drive and other humanity service.

In the surrounding 200 kilometers range, Baigou Auto Parts City will become a large-scaled car market on import, domestic and old motor vehicle, and the largest auto accessories distribution center in northern China. Meanwhile, Zhongan Tiande vehicle detection station, as the supporting facilities, is the vehicle detection and maintenance center of five surrounding counties of Baigou. This gives Baigou more power on the regional radiation and driving force.

#### Competitors

Pangda automobile trade group, as a leading company, has nearly 400 franchise stores with more than 40 brand which across more than 20 provinces of China. Pangda automobile trade group growth steadily, as the leader in the top ten China's auto sales and service enterprise group. For entering Baigou's automobile market, this time, Pangda built the franchise store with the area of 30 acres and brought in more than a dozen domestic and international famous brands. Together with another four

automobile companies' entry, there is up to 16 shops of the vehicle market. Moreover, it makes the auto parts city cover all auto models of China's six automobile groups.

Yongjie automobile trade company has run the business in the Auto Parts City of more than one year. By cooperating with two strong automobile group, Baoding Xuanyu and Zhongji automobile group, the product range is wide and has a competitive advantage in the market.

Baigou Auto Parts City has been completed in the beginning of the year 2009. According to statistics, the car sales had reached 5000 in 2009.

#### 6.2.2 Internal

With the rapid development of the automobile industry, numbers of auto sales, maintenance and beauty shops have been found. But in recent years, the market condition for 4S shop car dealers as Diyu seems not well. There is a large investment of million RMB to run a 4S car shop. But the operation is difficult and the operational loss is common.

The position of a 4S car shop, to the automobile manufacturers, is part of channel in the terminal. 4S car shop attached to the automobile manufacturers to survive. In accordance with requirements of automobile manufacturers, 4S car shop's investors establish a business model as shop-factory covering car sales, spare parts supply, maintenance services, information feedback and other functions, encompassing almost all the features of the channel terminals. This complex business model determines that the 4S car shop must rely on the support from manufacturers. 4S car shop has only co-operation relationship with automobile manufacturers and to be part of the distribution channel. The automobile manufacturers are not responsible for 4S dealers' investment.

When automobile manufacturers want to increase car sales, the marketing promotion will be carried on, such as advertising, display and new car release, to attract customers to the 4S car shop and buy cars. Once the car deal completed, the customers become the brand's users, but not a loyal customer of the 4S car shop.

A car manufacturer tends to set up a number of dealers in a city, that there are few shops sell the same brand car and the product is the same. It is the 4S car shop's own task to make customers buy the car and use maintenance service in their shop. The competition is intense. Diyue does not have such problem as it is the only 4S car dealers of the brand BYD in the city.

From the urban market scale, Diyue's sales competition comes from other brand stores which have similar vehicles. Compare to specializing auto repaired shop, auto parts market and roadside shops, in the maintenance service; Diyue as a 4S car shop has more advantages on the spare parts, technology, personnel, environment, and equipment. Diyue's manager Liang Liming thinks, the main advantage of 4S car shop on spare parts reflect on the same supplier with manufacturers, which ensures the reliability of the quality. There is also requirement on the warranty, if spare parts have problems within the warranty period, 4S car shop will responsible for it. For the technical personnel in 4S car shop, the maintenance technicians have been uniform trained and examined by the automobile manufacturers. 4S car shop has advantages on the equipment. Nowadays, the automobile products have high electronic degree. Many devices are synchronized to upgrade for 4S car shop and manufacturers. There is a great advantage in the maintenance of those new cars. In addition, 4S car shop has its own advantage in the service environment and service process. These factors lead 4S car shop become the dominant market force in maintenance.

4S car shop help manufacturers build brand loyalty, allow customers to feel the caring service and provide customers reliability on the product and service. These are the advantages of 4S car shop. But the higher maintenance price is one of the main 4S car shop disadvantages. In terms of maintenance price, it is 20 to 30 percent higher of 4S car shop than specializing auto repaired shop, 50 to 100 percent higher than the auto parts market, and it can be double price of the roadside shops.

### 6.3 SWOT

#### Strengths of Diyue

##### The brand image

With the diversification of consumer demand, brand image will ultimately affect the market share of the car. BYD car that Diyue sells is a domestic and independent car brand. The cars have fashionable design, large space, top grade overall shape. In addition, BYD cars are energy saving which meet the call of government on environment protection. The improvement of quality and value, and to be a representative of a national industry, these strengthen customer awareness of national brand protection and improve brand image.

##### Convenient geographic location

Location selection effects on success or failure of the 4S car shop. A proper location is not only saving cost for 4S car shop but also creating even free advertising effect. Diyue is located in Baigou Auto Parts City, surrounding transportation is convenient. The unique architectural style and eye-catching brand identity leave strong impression on people pass by.

##### Service concept

Diyue thinks that the essence of service concept is to provide quality products and satisfactory service. Diyue defines service concept from multiple perspectives. The first consideration was to meet the needs of different consumers, according to its own brand's target market, segmentation and the overall market conditions, make efforts on the service design and service delivery. While satisfying consumers, Diyue's attention also turns to the employees that provide customer service. Employees interact with consumers directly, only employees have been satisfied that can provide first-class service. Therefore, Diyue continues to maximize the interest of employees, and

create common values among enterprise and employees. Although Diyue does not have a long business culture, the unique service concept, signature service and free maintenance in the short term make every customer experience the advantages of 4S car shop.

### Weaknesses of Diyue

#### Brand influence inadequate

Product innovation and business culture determine brand influence. Car competition has already become the car brand competition. Compared with the same brand, BYD entered Baigou market later. As it is the independent brand, compared with foreign brands, product innovation is relatively weak.

#### Lack of strong technical strength

Passenger car is China's weakest link on vehicle research and development. Technological level of domestic brands has more shortcomings, such as low level of appearance treatment. Currently, Diyue is lack of strong technical strength. If serious problems occur in the after-sales service, and the problems cannot be excluded in a short term, which cause inconvenience for customer or loss of brand reputation and satisfaction. Customer may transfer the sight of maintenance and buying cars to other sellers.

### Opportunities of Diyue

#### Rapid growth of auto market in Baigou

Over the past decade, China's auto market growth has been increased at a rate of more than ten percent and the market is expanding. In the context of rapid development of domestic auto market, Baigou auto market has maintained rapid growth.

#### Economic development and policy of Baigou

In recent years, economic development of Baigou keeps on fast pace. Consumer market is expanding. Auto market as a sub-market of consumer market, has also great potential for development. Through the upgrading of administration level, Baigou is given more power on economy. In order to promote economic development,

Baigou government implements a series of preferential policies on funding, project, and environment. The preferential policies create a favorable environment for Baigou's economic development, and opportunities for the future development of the auto market.

#### Energy saving trends

In the macro economic situation, with the rise in price of oil and focus on green technology due to focus on climate change, the future of the automobile industry is hybrids and zero emission cars like the electric cars.

#### BYD brand quality

Although China's domestic brand cars still have some problems on technology and technical level to some extent, with the intense competition among brands, China's domestic brands work hard on technological innovation, quality improvement and value rising. BYD auto manufacturers have adopted a quality guarantee from the manufacturer to the dealer. Therefore, whether in terms of production technology or management philosophy, compared to similar car brands, BYD has a higher quality assurance.

#### Threats of Diyu

##### Threat of competitors

As the variety of automotive brands settled in Baigou market, the competition of 4S car shop became more and more intense. Diyu's manager Liang Liming said, the current auto market environment changes gradually, if the sales and service level could not reach certain extent, 4S car shop will not be able to survive. Currently, competitive brands pose threats to BYD brands include Volkswagen, Audi, Elantra. These brands open up Baigou auto market earlier, and have advantages on brand value, quality assurance and technical innovation. At present, although China put efforts on developing domestic brands, while the auto market facing smaller and smaller profit margins, domestic brands value and competitiveness are not strong enough to seize the market space with foreign brands.

##### Advanced auto business model enter

The business model of 4S car shop has inherent problems, such as large investment cost, high operating costs and high maintenance costs. Dealers have started to consider new business model since long ago. Currently, there are two trends of auto business model, car supermarket and chain of auto repair. These two models, to some extent, make up for some defects of the business model of 4S car shop. These two auto business models enter Baigou market, bring more competition to Diyue.

#### 6.4 Marketing objective

A SMART marketing objective can be set based on results from marketing audit and SWOT analysis.

Car sales' small profit time has come, 4S car shop need five-star decoration and equipment, but no five-star profit. Half of 4S car shop's profit comes from the maintenance service. The number of vehicles sold is one of the factors that influence profits from maintenance service. What Diyue should do at present, is to increase car sales even with low profits, and put effort on maintenance service to satisfy the customers and get more profits.

Diyue was opened since September in 2009 and car sales reached a total of 700 until April in 2011. The average monthly car sale is 35 and cumulative 420 per year. A SMART sales objective for Diyue can be defined as: To increase car sales by 20 percents by May 2012.

#### 6.5 Marketing strategy



### 6.5.1 Segmentation

The volume of Diyue's sales was 700 vehicles from September 2009 to April 2011. Much of the record came from strong sales of the company's small cars, particularly the F3 compact passenger car and the F0 subcompact models. The F3 model continued to maintain strong sales performance in the market. Price of a new F3 is around 52,000 RMB, however, it offers what a 152,000 RMB foreign brand car can offer to car owners. Price of a low-end F0 is 30,000 RMB, as a tool instead of walk, F0 model offers car owner convenience with basic needs of a car.

During the communication with customer, author knows most of them buy the car for family or for their own use. These customers have an average low to middle income according to China family income proportion. At present, the low and middle income family has a large proportion, with the country's economic growth, the income of low and middle income family is continuous increasing. This leads to purchasing power increased and consumption promoted.

Diyue can aim at the low to middle income families and individuals who want a car instead of walk and to make life better and easier.

### 6.5.2 Target marketing

It requires not less money to buy a car. In China, to buy a car is a major event for many families, especially people buy car in the first time. When people are selecting a car, the main decision is made by master and mistress, and more male-dominated, but also considers the majority view of the family. An undifferentiated strategy is applied for target marketing.

Geographic target market is urban area and surrounding towns of Baigou. In recent years, economy of urban area and surrounding towns of Baigou developed rapidly,

people's lives have greatly improved. More and more family can afford to the car consumption. Some high-income families also have two or more cars for family members' private using.

### 6.5.3 Positioning

Besides having the feature to meet general needs of car owners, BYD cars have two main attractive characteristics to be the reason of buying them: high configuration with low price and energy saving.

As a dealer of BYD cars, Diyue provide customer a comfortable environment for buying cars, increasing models for selecting cars and continuous improved after-sale service. Based on author's experience when doing the sales job in Diyue, most of the customers are price sensitive. Diyue has a congenital advantage of BYD cars' low price in car market. Diyue's manager wants to emphasize that the economic cost to get high configuration and reliable maintenance. With the improvement of Diyue's facilities and completed construction, Diyue also provides car beauty and wash service. Diyue's positioning can focus on the benefit and price. Positioning of Diyue is that, providing the most comprehensive and best quality product and service with the most economical cost.

## 6.6 Marketing mix

The marketing mix for Diyue was designed through 4Ps which are product, promotion, price, and place. Marketing strategy decisions have been taken into account when making marketing mix decisions. The integrating provides more possibilities for Diyue to success in the local competitive car market.

### 6.6.1 Product

BYD brand image, as one of Diyue's strength, has been described in the SWOT analysis. BYD is an independent and national brand. Customer can benefit from BYD products of getting high configuration with low price in a short run, and energy saving in a long run.

BYD Auto's product portfolio mainly Includes high-end, medium-end and low-end fuel vehicles, as well as auto components, DM electric cars and all-electric cars among which are variants of 11 vehicles like F3, F3R, F6, FO, G3, L3, hardtop convertibles of S8, high-end S6, MPV car model of M6, world leading dual mode of F3DM and all-electric vehicle of e6 are the representative models.

At present, the car models that Diyue has in the product catalog include FO, F3, F3DM, G3, L3 and M6 in different level, as well as supporting auto components for models that Diyue has. The appearance of the car has no significant difference in different levels. The higher level vehicles meet customers' demand more on functionalities and some details. Except car models F3DM and M6 do not have high-end choice, Diyue's all other car models, has been providing the low-end, mid-end and high-end cars to customer.

FO series economy model was launched by BYD in September 2008, targeting the low displacement vehicle market. Together with F3 series, have maintained an upward trend in sales volume.

Based on information gathered from customer interviews, most of the customers can find one car model for themselves. Customers' needs on functionalities can be fulfilled with different level cars. There is one simple but important matter about the colors of the car. In Baigou, many families operate private business among which

women also play important roles in the economy. More and more women start to drive for convenience of living and business use.

As most driving people are still man in China, Diyue takes more consideration on men's preferences about the colors offered. There is less choice for women. Diyue should pay also attention to the female customers; offer the cars with appearance and functionalities that female customers prefer.

Diyue could also consider add high-end F3DM and M6 car models, which for meeting the requirements of high-income families.

#### 6.6.2 Promotion

##### Marketing promotion of automobile manufacture –BYD

For purpose to strengthen brand image or increase car sales, the automobile manufacture will carry on marketing promotion through various powerful media in a national wide range. This is an effective and free way to introduce products to public for Diyue. 4S car shop carries out promotional activities at the same time with automobile manufacture. Message transferred by manufacturers are more attractive and have more credibility.

##### Advertisement

Advertisement through media is the most direct and efficient way of promotion for Diyue in the local market. Diyue can make the advertisement through internet, TV program, or newspaper.

Baigou is a business-type town. With many years economic development, every industry has formed an information delivery platform. Mostly, the information delivery platform formed through internet. For instance, there are Baigou economic network and luggage net. Consumers and entrepreneurs can post or find information they

need in the platform. Those platforms have been managed well with strict register requirement if you want to post information on info board. The aim is to ensure the reliability of information and prevent fraud from happening.

The local TV programme on economy has a high audience rating. Diyue can design an impressive advertisement with the help of advertising company and play on the local TV programme.

Newspaper as a common medium has never been out of date. There are also local newspapers free of charge and delivery to local residents and businesses. Dissemination of information is in a timely manner and wide range. When there are promotional offers or other activities, Diyue can publish information in the newspapers for few days in advance. Newspaper is an economic and efficient way to get good advertising effect.

Distribute leaflet in center of surrounding towns

Besides publishing information in local newspapers of surrounding towns, to get information received by consumer, Diyue can also choose to distribute leaflet in town center of surrounding towns. The industry believes that July and August each year is the car sales off-season. In the car sales off-season, sales person with spare time can go to distribute leaflets. It is also to achieve full utilization of human resource.

### 6.6.3 Price

Diyue offers customer a wide range price of car selecting. The price starts lowest from 36,900 RMB to 239,800 RMB. The price of BYD cars is very attractive. In order to promote environmental protection, based on the preferential policies of the state, to buy some models of low-emission vehicles are eligible for 5,000-10,000 national subsidies. This makes the purchase of BYD energy-saving cars more attractive to customers.

A price list was summarized by author based on the data from Diyue's catalog

Table 2: Price list of Diyue

Price list of Diyue	
Car Model	Price range
FO series	36,900-53,900 RMB
F3 series	52,800-79,800 RMB
F3DM series	149,800-169,800 RMB
G3 series	62,900-109,900 RMB
L3 series	79,800-118,800RMB
M6 series	139,800-239,800RMB

#### 6.6.4 Place

Diyue has a convenient geography location. It is located in Baigou Auto Parts City. In the surrounding 200 kilometers range, Baigou Auto Parts City will become a large-scaled car market on import, domestic and old motor vehicle, and the largest auto accessories distribution center in northern China. Baigou Auto Parts City is powerful and attractive place for people who want to find a car to buy.

The unique architectural style and eye-catching brand identity of Diyue's shop leave strong impression on people pass by from outside. From the inside of the shop, Di-

yue provides customer a comfortable environment for purchasing cars, with elegant decoration, spacious area, and increased facilities for customer service.

In customer lounge area, Diyue provides customers with newspaper and magazines for spending waiting time, as well as BYD auto introduction brochure for customer learning more information about product. A TV is suggested to add in the customer lounge area. Diyue can play product propaganda film to increase the advertising effect. Moreover, Diyue can play movies for customers to entertainment.

Many customers come to the shop with little kids when selecting the car. Diyue can consider adding a children's play area where children can play happily. Therefore, the customer can concentrate on the thought of selecting car. This makes customers feel more caring service, and increase customer satisfaction.

## 6.7 Implementation and control

### 6.7.1 Strengthen service team

In order to create a marketing-oriented and customer-focused culture within the company, Diyue should improve the overall qualities of service teams. Hire the best possible people, to enrich the first line of service, is the key to the success of service marketing. Diyue can achieve the same level of high quality service through staff training. Therefore, each employee get detailed knowledge of the operations of company's marketing strategy, and each employee know their role play with other employees, departments and customers in the link. The training enables employees to improve their communication, sales and service skills.

### 6.7.2 Performance evaluation and reward

If reward only results rather than employees' performance in the work based on assessment, employees cannot motivate in their work. Therefore, daily customer satisfaction questionnaire are designed for sales person and after-sales person. The front-desk person conducts a sample survey to customers daily, and the results incorporated into the end of assessment monthly.

An annual employee performance evaluation form should be designed, completion of sale's goals, service quality and training grade are included in the evaluation content. Publish the results of assessment, so that employees know how well they do work, and give appropriate incentives to increase their satisfaction with service.

### 6.7.3 Optimizing service process

New car sales and after-sales service are the core service of 4S car shop. To establish a supportive organizational structure, Diyue should optimize these two processes.

#### Optimization of sales process

Under the premise of ensure new car sales' steps, the relevant departments will be integrated into the entire sales process. This is conducive to form a team concept within the 4S car shop. Specify the scope and content in the sales cycle in every relevant department. In the process of sales service, the clarity of responsibilities between departments is conducive to the achievement of team work, to provide efficient service and improve customer satisfaction.

#### Optimization of after-sales service process



Place customer in the center of the entire Diyue's service. This change in position will help attach importance of customers to all employees, to form a customer-focus culture. In the whole process, interactions of customer and the various key procedures are emphasized. The interactions of customer and employees help with fast and accurate service production and consumption.

## 7 SUMMARY AND CONCLUSION

Today's car market is not attaching importance to people but to car. People first consider the choice of car brand and model when planning to buy a car, after the car has been selected, people will go to the shop which offer the lowest price. 4S car shop, as the manufacturer's customer service terminal, is committed to provide the service its customer needs. 4S car shop play manufacturer's brand, and highlight the car's brand. For automotive business, the way to develop new market and get profits by taking advantage of manufacturer's brand can reduce costs. However, 4S car shop seeks long-term development cannot be limited to the manufacturer's brand. Similarly, 4S car shop cannot be limited to car sales. The market space, profit margins and the development space of car service are much bigger than simple car sales. With the rapid development of car market, profits of car sales would be reduced; service competition will become the main battlefield in the future car industry.

In the process of writing this thesis, author collected relevant information of domestic auto market and auto shops in Baigou. During the internship period, author conducted an investigation of case company-Diyue, and obtained detailed information through semi-structured interview with manager and customers.

On this basis, author analyzed Diyue's current situation and development by using SWOT analysis method. Author focused on the specific situation of Diyue, combined with the marketing strategy and marketing mix. Finally, a proposal of an annual marketing design for Diyue was completed. Author gave recommendations to Diyue on details within the marketing plan; the recommendations were focused on how to increase customer satisfaction by improving strategies or facilities from internal and external of the company. To implement this annual marketing plan proposal, Diyue was expected to successes to gain sales in the competitive market.

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## APPENDIX 1

Interview with manager

Name:

Title:

Date of interview:

- 1 Who is Diyue's main competitor in the target market?
- 2 What are Diyue's competitive advantages compared with the competitors?
- 3 What is Diyue's marketing objectives?
- 4 Marketing strategy:
  - 4.1 What is the segmentation and targeting in local market?
  - 4.2 What is the market positioning in target market?
- 5 Marketing mix:
  - Product
    - 5.1 What are the product groups in target market?
    - 5.2 Do you know the local consumers' preference?
  - Price
    - 5.3 What is your price strategy in the target market?
    - 5.4 What is the price range of the product groups?
    - 5.5 Do you know the acceptable price range of the target customers?
  - Place
    - 5.6 How do you satisfied with the chosen place of sales?
    - 5.7 Where is the warehouse and how do you manage the inventory?
  - Promotion
    - 5.8 What are the current promotions there?
    - 5.9 What are the channels for transferring information to reach the customer (advertising)?
    - 5.10 How are you satisfied with the promotion effects?

## APPENDIX 2

Interview with customer

Sex:

Age:

Job:

Product:

1. Which car type do you prefer?
2. What colors do you like?
3. Have you found the car you are willing to buy?
4. How do you satisfied with the products and services of Diyue?
5. Is there any feature you want of the car but we do not have?

Price:

6. What do you think about the price in Diyue? (High, acceptable, reasonable, low...)

Place:

7. What do you think about Diyue shop?
8. Is it easy and clear to get here?

Promotion:

9. How do you know Diyue?(Advertising on TV, newspaper, internet, or friends)

Brand image

10. What do you think about Diyue's brand image?
11. Will you recommend Diyue to your friends or relatives?
12. Will you choose Diyue/BYD when you want to buy a new car?

Others

13. What problems do you think Diyue has?
14. Could you give recommendations for Diyue to improve?